

Rio Algom Corporation

August 17, 1979.

Department of Natural Resources,
State of Utah,
Division of Oil, Gas, and Mining,
1588 West North Temple,
Salt Lake City, Utah 84116.

Attn: Mr. Ronald W. Daniels,
Coordinator of Mined Land Development

Dear Sir:

Re: Mined Land Reclamation Agreement

Further to our recent conversation, I enclose herewith copies of the Escrow Agreement and the Mined Land Reclamation Agreement which we are preparing to have executed by Rio Algom Corporation and First Security Bank of Utah, as Escrow Agent, in the very near future. With the exception of the date of signing all blanks have been completed.

You will notice that paragraph 6 has been amended by the addition of the words underlined in red. This change was felt necessary to clarify that Rio Algom Corporation would be able to recover its expenditures from the Escrow fund as the work progressed and was approved. I understand that Gordon Littlejohn of this office discussed this matter with you, during his last visit to your office, and that you concurred that this in fact was the intention.

Would you please review the attached documents and let me know by phone if they are satisfactory to the Board.

As soon as I hear from you I will have the documents executed and returned to you for execution by the Board.

I trust this is satisfactory.

Yours very truly,



J. A. Bush,
Counsel.

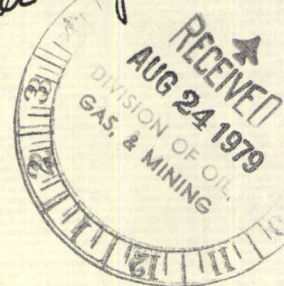
JAB/ms

Encl.

Please reply to 120 Adelaide Street West, Suite 2600,
Toronto, Ontario M5H 1W5. (416) 367-4167

P. O. Box 610, Moab, Utah 84532, (801) 686-2211

*Denise
Please Review
Is it OK?
looks good!*



STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
BOARD OF OIL, GAS, AND MINING
1588 West North Temple
Salt Lake City, Utah 84116

* ESCROW AGREEMENT *

AGREEMENT made this day of September, 1979,
between the Board of Oil, Gas, and Mining, hereinafter called the
Board, and Rio Algom Corporation, a Delaware Corporation, here-
inafter called the Operator, and First Security Bank of Utah N.A.,
a Utah Corporation located at Salt Lake City, Utah, hereinafter
called the ESCROW AGENT.

WHEREAS, the Board and the Operator have entered into a
Mined Land Reclamation Agreement dated the day of September,
1979, (hereinafter referred to as the Reclamation Agreement) upon
terms and conditions therein set forth.

WHEREAS, the Operator desires to execute an Escrow Agree-
ment in lieu of furnishing a Bond or other form of surety for the
purpose of meeting the requirements of Section 40-8-14, U.C.A., 1953.

IT IS THEREFOR AGREED:

1. Deposit of Escrow Funds

Commencing on the 1st day of October, 1979, and on the
same date annually thereafter, the Escrowee agrees to accept
and the Operator agrees to deposit \$75,973 in what will herein-
after be referred to as the Escrow Fund, until such time as the
said Escrow Fund contains \$3,064,312 including interest earned.
The cumulative amount, including the current deposit and interest
earned, which shall be in the Escrow Fund on the first day of
October in each year shall be as shown in the Schedule "A"
attached hereto. The said schedule for calculations on the
assumption that the Escrow Fund will earn income at the rate
of 5% annually. If the income earning experience of the Escrow
Fund is less than sufficient to equal the annual value shown in the
attached schedule "A" in any particular year, then the Operator

agrees to increase the amount of the deposit for that year so that the value of the Escrow Fund, after crediting the deposit, will be the amount shown in the attached schedule for the appropriate year. Deposits shall continue to be made to the Escrow Fund for 22 years or until such time as the total amount in the Escrow Fund is \$3,064,312 or such lesser amount provided for in paragraph 4 of the Mined Land Reclamation Agreement, whichever shall first occur.

2. Depository of Fund

The fund shall be held by the Escrow Agent in an interest bearing account separate and apart from the personal funds of the Escrow Agent until such time as the Escrow Agent receives written direction, with respect to the disbursement of said Fund, together with interest earned thereby signed by both the Board and the Operator. The Escrow Fund or any part thereof may be invested in Treasury Bills, Notes or Bonds issued by the U.S. Government or by its agencies, or by any state and in Bonds or Commercial Paper issued by corporations, banks and utilities which have a Single A or higher bond rating from either Standard and Poor's Corporation or Moody's. The Operator is hereby authorized to instruct and direct the Escrow Agent with respect to investment of moneys in the Escrow Fund.

Any cash balances in the Escrow Fund resulting from contributions, earned interest or proceeds from sale, maturity or other repayment of any investment will be deposited in an interest bearing account for benefit of the Escrow Fund.

3. Disputes

In the event of any disagreement between the undersigned or any of them, and/or any other person, resulting in adverse claims and demands being made in connection with any money, or property involved herein or affected hereby, the Escrow Agent shall be entitled at its option to refuse to comply with any such claim or demand, so long as such disagreement shall continue, and in so refusing, the Escrow Agent shall not become liable to the undersigned or any of them or to any other person for failure or refusal to comply with such conflicting or adverse demands and the Escrowee shall be entitled to continue to refrain and refuse to act until:

- (a) the rights of the adverse claimants having been finally adjudicated in a court assuming and having jurisdiction of the parties, the money and property involved herein or affected hereby; and/or
- (b) all differences shall have been adjusted by agreement and the Escrow Agent shall have been notified thereof in writing signed by all of the interested parties.

4. Escrow Agent Provisions

The Escrow Agent shall not be liable for any error of judgment or for any act done or step taken or omitted by him in good faith, or for any mistake of fact or law or for anything which he may do or refrain from doing in connection herewith, except his own willful misconduct.

Rio Algom Corporation agrees to pay the Escrow Agent compensation for its services hereunder, which compensation shall be (see attached) at the time of acceptance and (see attached) annually thereafter and agrees to reimburse the Escrow Agent for all reasonable expenses, disbursements and advances incurred or made by the Escrow Agent in performance of its duties hereunder (including reasonable fees, expenses and disbursements of its counsel).

The Escrow Agent does not have and will not have any interest in the securities, or any of them, deposited hereunder but is serving only as escrow holder and having only possession thereof. Rio Algom agrees to pay all transfer taxes relating to the securities and any of them and agrees to reimburse, indemnify and hold harmless the Escrow Agent from any amounts that it is obligated to pay in the way of transfer taxes. The immediately preceding agreement survives, despite any termination of this Escrow Agreement or the resignation or removal of the Escrow Agent.

5. This Agreement shall be construed and enforced according to the laws of the State of Utah.

The rights created by this Agreement shall inure to the benefit of, and the obligations created hereby shall be binding upon, the heirs, administrators, successors, representatives and assigns of the Escrow Agent and all parties to this Agreement.

All notices, instructions or other communications among the parties hereto will be in writing and addressed as follows:

TO THE BOARD:

State of Utah
Department of Natural Resources
Board of Oil, Gas, and Mining
1588 West North Temple
Salt Lake City, Utah 84116

TO THE OPERATOR:

Rio Algom Corporation
P.O. Box 610
Moab, Utah 84532

TO THE ESCROWEE:

First Security Bank of Utah N.A.

Salt Lake City, Utah

6. Accounting

The Escrowee shall provide to Board and to Operator a monthly cash statement showing the beginning and ending cash balance and all transactions taking place during the month.

7. This Agreement may not be altered or modified without the express written consent of the Operator, the Board and the Escrowee.

8. Any Court Order delivered to the Escrow Agent will be accompanied by a legal opinion by Counsel for the presenting party to the effect that the Court Order is final and unappealable.

IN WITNESS WHEREOF, the parties of the first and second parts hereto have respectively set their hands and seals this day of September, 1979.

RIO ALGOM CORPORATION

Vice President

Secretary

ESCROW AGENT

BOARD OF OIL, GAS, AND MINING

STATE OF UTAH)
COUNTY OF _____) : ss

On this _____ day of _____, 197____, personally appeared before me _____, who being by me duly sworn did say that he is the President of _____, a _____ Corporation, and that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged to me that said corporation executed the same.

NOTARY PUBLIC

Residing in _____, Utah

My commission expires:

ACKNOWLEDGMENT

_____,
the Escrowee named in the foregoing Agreement, hereby acknowledges that there is on deposit at _____ address deposited to the credit of _____ Operator named in the foregoing Agreement, in the sum of \$ _____ said sum constituting the first installment of the Escrow Fund; that it is aware of the within agreement, that it agrees to make disbursement of the proceeds of the within named trust account only within the provisions of the terms as outlined in said agreement.

By _____

(Title)

STATE OF UTAH)
COUNTY OF _____) : ss

On this _____ day of _____, 197____, personally appeared before me _____, who being by me duly sworn did say that he is the _____ of _____, a _____ Corporation, and that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged to me that said corporation executed the same.

NOTARY PUBLIC

Residing in _____, Utah

My commission expires:

RIO ALGOM CORPORATION
VALUE OF ESCROW FUND
CONSISTING OF \$75,793 ANNUAL DEPOSIT
WITH INTEREST AT 5 PERCENT PER ANNUM

<u>Year</u>	<u>Value</u>
1979	\$ 75,793
1980	155,376
1981	238,937
1982	326,677
1983	418,804
1984	515,537
1985	617,107
1986	723,756
1987	835,736
1988	953,316
1989	1,076,775
1990	1,206,407
1991	1,342,520
1992	1,485,439
1993	1,635,504
1994	1,793,072
1995	1,958,519
1996	2,132,238
1997	2,314,643
1998	2,506,168
1999	2,707,269
2000	2,918,426
2001	3,064,347 (Note)
2002	
2003	

Note: Annual deposit made in years 1979 through
2000 inclusive.

JAB/cg
July 19, 1979

If yes, explain:


STATE OF Utah

COUNTY OF San Juan

I, A. C. TURNER, having been duly sworn
depose and attest that all of the representations contained in the foregoing
application are true to the best of my knowledge; that I am authorized to
complete and file this application on behalf of the applicant and this
application has been executed as required by law.

Signed: 

Taken, subscribed and sworn to before me the undersigned authority
in my said county, this 26th day of July, 19 76.

Notary Public: 

My Commission ~~Expires~~ does not expire.

10. Owner/Owners of record of minerals to be mined:

Section 21 - under assignment of Lease Address _____
Rio Algom Corporation - see attached Address P.O. Box 610, Moab, Utah 84532
Section 22, 27 & 28 - Rio Algom Address P.O. Box 610, Moab, Utah 84532
Corporation Address _____

11. Owner/Owners of record of all other minerals within any part of the land affected:

Section 21 - under assignment of Lease Address _____
Rio Algom Corporation - see attached Address P.O. Box 610, Moab, Utah 84532
Section 22, 27 & 28 - Rio Algom Address P.O. Box 610, Moab, Utah 84532
Corporation Address _____

- 11a. Have the above owners been notified in writing?
(X) Yes () No

12. Source of Operator's legal right to enter and conduct operations on land to be covered by the Notice Owner & Lessee of unpatented mining claims

13. Approximate acreage to be disturbed:

Mining operation area (include operations, storage, and disposal area):

Mining Operation Area:	<u>181.0</u>	acres +	
Access Road or Haulageway:	<u>2.4</u>	acres +	
Drainage System: Diversion Ditch	<u>.6</u>	acres =	total drainage area
Total Acres:	<u>184.0</u>	acres	286.5 (see map)
			total claim area
			2573 acres

14. Give the names and post office addresses of every principal Executive, Officer, Partner, (or Person performing a similar function) of Applicant:

Name	Title	Address
a. <u>G. R. Albino</u>	<u>President</u>	<u>2242 Highriver Court</u> <u>Mississauga, Ont. L5H 3K4</u>
b. <u>A. C. Turner</u>	<u>Vice President</u>	<u>229 Owen Boulevard</u> <u>Willowdale, Ont. M2P 1G9</u>
c. <u>J. C. Turnbull</u>	<u>Secretary</u>	<u>33 North Sherbourne</u> <u>Toronto, Ont. M4W 2T3</u>
d. <u>J. Van Netten</u>	<u>Treasurer</u>	<u>95 Forest Heights Blvd.</u> <u>Willowdale, Ont. M2L 2K7</u>

15. Has Applicant, any Subsidiary or Affiliate or any Person, Partnership, Association, Trust or Corporation controlled by or under common control with Applicant, or any Person required to be identified by Item 14, ever had an approval of a Notice of Intention withdrawn or has surety relating thereto ever been forfeited? Yes () No (X)

9. Owner/Owners of record of the surface area within the land to be affected:
Section 21 - under assignment of Lease Address P.O. Box 610, Moab, Utah 84532
Rio Algom Corporation - see attached Address _____
Section 22, 27 & 28 - Rio Algom Corp. Address P.O. Box 610, Moab, Utah 84532

C Stabilization of Site

I	Soil Prep. Scarification and fertilization	Drag Chaining	60 Ac @ \$170/Ac = \$10,200
		Scarifying	60 Ac @ \$120/Ac = \$ 7,200
II	Seeding or planting	Seeding	60 Ac @ \$170/Ac = \$10,200
		Seed	70 Ac @ \$170/Ac = \$11,900
III	Construction of Terraces, Waterbars, etc.	Fertilization	60 Ac @ \$170/Ac = \$10,200

\$899,900

D Inflation 25 Years @ 5% \$3,047,380

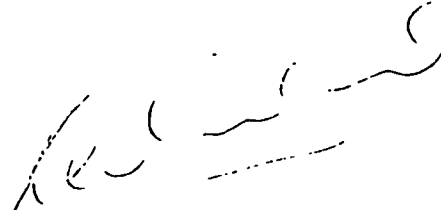
E Ditching Proposed New Ditch \$5,000

F New Total include Cost of New Ditch = \$904,900

Escalated 25 Years @ 5% = \$3,064,312

Note:- In Item (2) we are comparing bank yards with broken yards of material so (2) a) and (2) b) will not add up to 737,000 Cubic Yards of spread material.

KCW:ma



"Surety Estimate"
Inter-Office Memorandum

Attachment "one"
FEB 14 1978
File No.

To: P. F. Pullen
From: K. C. Winckworth
Subject: Lisbon Tailings Stabilization

Date February 14, 1978

- (1) Total Waste on Property. = 144,000 Cubic Yards
(This includes 36,000 Cubic Yards
from future footwall development.)
- (2) Waste Required (Spread Material) = 737,000 Cubic Yards
for 7' cover.

This will be obtained as follows:-

- (a) 144,000 Cu Yds. on property @ \$0.50/Cu Yd. = \$72,000
(b) 485,000 Bank Cu Yds. from external source
@ \$1.50/Cu Yd. = \$727,500

Total \$799,500

Say \$800,000

(3) Costs

<u>Operation</u>	<u>Amount</u>	<u>Rate</u>	<u>Cost</u>
A <u>Clean Up</u>			
I Removal of Structures & Equipment	1 Cat/80 Hrs.	\$50/Hr.	\$4,000
II Removal of Trash and Debris	2 Trks/80 Hrs.	\$20/Hr.	\$3,200
III Leveling of Ancillary Facilities Pads and Access Road	10Lbrs/80 Hrs.	\$10/Hr.	\$8,000
B <u>Regrade and Recontouring Tailings Ponds</u>			
I Earthwork including haulage of soil to tailings ponds	737,000 Cu Yds. (@ 7' Depth)	\$1.08/CuYd	\$800,000
II Spreading soil and surfacing	1 Cat. for 700 Hours	\$50/Hr.	\$35,000

MINED LAND RECLAMATION AGREEMENT (ESCROW)

MR FORM 7a

Page 4 of 4

7. The Board, in lieu of the posting of a bond or other surety, agrees to execute an Escrow Agreement with the Operator and any third party designated by said Operator.
8. Upon execution of the Escrow Agreement, the Operator agrees to furnish or to have the Escrowee furnish the Board with a copy of each receipt of deposit within ten (10) days of the date upon which the deposit is required to be made.
9. The Board and the Operator agree that failure by the Operator to make a deposit into the Escrow Fund within two (2) months of the date upon which such deposit is required, shall constitute a Breach of Contract and the Board may, after notice and hearing, declare all moneys in the Escrow Fund forfeited and request the Attorney General to take the necessary legal actions to enjoin further mining activities by the Operator in the State of Utah.

IN WITNESS WHEREOF, the parties of the first and second parts hereto have respectively set their hands and seals this day of September, 1979.

RIO ALGOM CORPORATION

Vice President

Secretary

BOARD OF OIL, GAS, AND MINING

Note: If the Operator is a corporation, the agreement should be executed by its duly authorized officer with the seal of the Corporation affixed.

5. If the subject mining and milling operations terminate prior to the time anticipated in the Mining Application filed with the State of Utah, Department of Natural Resources, then the Operator will be responsible for implementation of the reclamation work in accordance with its approved Reclamation Plan, but will not be obliged to make any further deposits to the Escrow Fund under this agreement, after the termination date of such operations unless the total amount contained in the fund is not sufficient to complete the remaining reclamation work.
6. After termination of mining and milling operations on the subject property the Operator shall be entitled to withdraw or transfer moneys from the Escrow Fund, including the allowance for inflation for all that work completed in compliance with the Reclamation Plan and approved by the Board. The amounts to be withdrawn or transferred from the Escrow Fund shall be determined by certified itemized receipts for expenditures presented to the Division of Oil, Gas, and Mining for the cost of such work as incurred by the Operator and the inflation thereon. A certificate made by the Operator as to completion of the reclamation work described under each of the operations listed in the attached surety estimate labelled attachment one and dated February 14, 1978 (except the earth work described in Paragraph B-1) shall be delivered to the Board within fifteen (15) days of completion of said work. For the earth work the Operator shall be entitled to submit an affidavit to the Board on the first day of each month stating costs incurred, the quantity of earth or rock hauled and placed as cover over the tailings area, and the thickness and areal extent of the cover material. The Board shall cause an inspection to be made of the completed work within fifteen (15) days of receipt of the certificate of completion, weather conditions permitting, and shall inform the Operator within fifteen (15) days of the inspection that the work has or has not achieved the objectives or reclamation defined in Section 40-8-12 of the Utah Mined Land Reclamation Act. No portion of the Escrow Fund shall be withdrawn or transferred unless all reclamation efforts which are technologically practicable in the opinion of the Board, have been made by the Operator to achieve the reclamation objectives with respect to the work described in each monthly certificate. Written communication (from the Board) that said technologically practicable efforts have been made by the Operator shall be sole authorization for moneys to be in part transferred or withdrawn from the Escrow Fund. After the completion of all work required by the Reclamation Plan, the Mined Land Reclamation Act and the rules and regulations adopted in accordance therewith, the Board agrees to give notice of termination of the Escrow Agreement to the Escrowee and to authorize repayment to the Operator of any deposit balance in excess of the actual reclamation expenditures. The Board may retain in the Escrow Fund, after completion of the required reclamation work for a period not to exceed five (5) years, an amount equal to that required for revegetation of the entire land affected. This amount shall be used by the Operator for land treatments and re-revegetation in the event that the initial revegetation effort is not successful in the five (5) years following the initial effort. Success shall be deemed to be achieved when cover of grass, shrubs, and forbs equal in cover to 70% of the surrounding natural vegetative types.

WHEREAS, the Board has considered the factual information and recommendations provided by the staff of the Division of Oil, Gas, and Mining as to the magnitude, type and costs of the approved reclamation activities planned for the lands affected.

WHEREAS, the Board is cognizant of the nature, extent, duration of operations, and the fact that the Operator has been unable to obtain a surety bond.

NOW THEREFORE, for and in consideration of the mutual covenants of the parties by each to the other made and herein contained, the parties hereto agree as follows:

1. The Operator promises to reclaim the lands affected in accordance with the approved Mining and Reclamation Plan, the Mined Land Reclamation Act, and the rules and regulations adopted in accordance therewith.
2. The Operator, in lieu of posting a bond or other surety hereby agrees to deposit Seventy-Five Thousand, Seven Hundred and Ninety-Three Dollars (\$75,793.00), commencing on the 1st day of October, 1979, and on the same date each year thereafter, in what will be hereinafter referred to as the Escrow Fund, until such time as said Escrow Fund contains Three Million, Sixty-Four Thousand, Three Hundred and Twelve Dollars (\$3,064,312.00), or such lesser amount provided for by paragraph 4 herein.
3. Interest received by the Escrow Fund shall be deposited to the credit of the Escrow Fund as earned. After the total amount, including principal and interest accruing to the Fund, on deposit in the Escrow Fund reaches Three Million, Sixty-Four Thousand, Three Hundred and Twelve Dollars (\$3,064,312.00), or such lesser amount provided for by paragraph 4 herein, then annual payments shall cease and all interest earned by the Escrow Fund shall be paid or transferred to the Operator.
4. If prior to the termination of the expected life of the facility, the Operator completes any work which is required to be performed pursuant to the approved Notice of Intent and Reclamation Plan, then the total amount required to be deposited in the Escrow Fund shall be reduced by the cost of such work as indicated by an accounting of costs for the work supplied to the Board by the Operator. Allowance shall be made for inflation of the cost of said work from the time that said work was performed to the end of the 25 year period. Credits for reclamation work done prior to the contract term shall only be applied to the total amount of the Escrow Fund, not to annual payments which will remain the same.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
BOARD OF OIL, GAS, AND MINING
1588 West North Temple
Salt Lake City, Utah 84116

* MINED LAND RECLAMATION AGREEMENT *

(ESCROW)

THIS AGREEMENT, made and entered into this day of September, 1979, between Rio Algom Corporation, a corporation duly authorized and existing under and by virtue of the laws of the State of Delaware as party of the first part, and hereinafter called the Operator, and the Board of Oil, Gas, and Mining, duly authorized and existing by virtue of the laws of the State of Utah, as party of the second part hereinafter called the Board.

WITNESSETH:

WHEREAS, the Operator is the owner and in possession of certain mining claims and/or leases hereinafter more particularly mentioned and described in Exhibit "A" attached hereto.

WHEREAS, the Operator did in August, 1976 file with the Division of Oil, Gas, and Mining, a "Notice of Intention to Commence Mining Operations" and a "Mining and Reclamation Plan" to secure authorization to engage, or continue to engage, in mining operations in the State of Utah, under the terms and provisions of the Mined Land Reclamation Act, Section 40-8, UCA, 1953; and whereas the Mining and Reclamation Plan was revised on the 24th of June, 1977 and refiled with the Division of Oil, Gas, and Mining.

WHEREAS, the Operator is able and willing to reclaim the above-mentioned "lands affected" in accordance with the approved mining and reclamation plan, the Mined Land Reclamation Act and the rules and regulations adopted in accordance therewith.